

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5324-04
Bill No.: HCS for HB 1397
Subject: Fees; Sewers and Sewer Districts
Type: Original
Date: March 29, 2012

Bill Summary: This proposal makes multiple changes to provisions relating to political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$220,167) to Unknown	(\$220,167) to Unknown	(\$220,167) to Unknown
Total Estimated Net Effect on General Revenue Fund	(\$220,167) to Unknown	(\$220,167) to Unknown	(\$220,167) to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Fire Education	\$108,033	\$129,640	\$129,640
Total Estimated Net Effect on <u>Other</u> State Funds	\$108,033	\$129,640	\$129,640

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	6	6	6
Total Estimated Net Effect on FTE	6	6	6

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Administrative Hearing Commission, Department of Mental Health, Department of Natural Resources, Missouri Department of Conservation, Office of Administration, Department of Labor and Industrial Relations, Department of Transportation, Office of the State Treasurer, Department of Economic Development, Department of Insurance, Financial Institutions and Professional Registration, State Tax Commission** and **Office of the State Courts Administrator** each assume the current proposal would not fiscally impact their respective agencies.

Officials at the **Department of Elementary and Secondary Education** assume there is no state cost to the foundation formula associated with this proposal. Should the new crimes and amendments to current law result in additional fines or penalties, DESE cannot know how much additional money might be collected by local governments or the DOR to distribute to schools. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to schools increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTIONS (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Corrections (DOC)** stated that they could not predict the number of new commitments which could result from the creation of the offense(s) outlined in the proposal. An increase in commitments would depend on the utilization of prosecutors and the actual sentences imposed by the courts. If additional persons were sentenced to the custody of the DOC due to the provisions of this legislation, the DOC would incur a corresponding increase in operational costs either through incarceration (FY 2011 average \$16,878 per inmate, per day or an annual cost of \$6,160) or through supervision provided by the Board of Probation and Parole (FY 2011 average \$5.03 per offender, per day or an annual cost of \$1,836).

The following factors contribute to DOC's minimal assumption:

- DOC assumes the narrow scope of the crime will not encompass a large number of offenders.
- The low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence.
- The probability exists that offenders would be charged with a similar but more serious offense or that sentences may run concurrent to one another.

In summary, supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Oversight assumes that the conviction and incarceration of only one person would create a minimal fiscal impact of less than \$100,000 annually.

Officials from the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Jefferson City Police Department** assume the current proposal would not fiscally impact their local law enforcement agency.

Officials from the **Parkway School District** assume the current proposal would not fiscally impact their district.

ASSUMPTIONS (continued)

Sections 66.010, 67.136, 67.320, 67.2010

In response to a similar proposal, HCS for HB 1256, officials from the **Department of Revenue** assumed the proposal would not fiscally impact their agency.

In response to a similar proposal, HCS for HB 1256, officials from the **Department of Elementary and Secondary Education (DES)** stated that the proposal may reduce the amount of fine revenue generated and distributed to districts in any first class county that establish a county municipal court. DES also states that it is impossible to estimate this reduction in revenue.

In response to a similar proposal, HCS for HB 1256, officials from the **City of Kansas City** assumed the proposal would not fiscally impact their city.

In response to a similar proposal, HCS for HB 1256, officials from the **County of St. Louis** assumed the proposal would not fiscally impact their county.

Oversight assumes this proposal is permissive and would have no fiscal impact to any first class county, unless the County Commission, at their discretion, would establish a county municipal court. The county would have the cost of staffing, maintaining, and administering the court. This proposal does not require first class counties to establish a county municipal court system. **Oversight** assumes no fiscal impact.

Sections 143.789 and 143.790

In response to a similar proposal, HCS for HB 1210, officials from the **Joint Committee on Administrative Rules** assumed that the proposal would not have a fiscal impact to their organization in excess of existing resources.

In response to a similar proposal, HCS for HB 1210, officials from the **Department of Social Services** assumed the proposal would not fiscally impact their agency.

In response to a similar proposal, HCS for HB 1210, officials from the **Missouri Lottery (Lottery)** assumed the proposal could negatively impact player behavior by allowing offset of lottery prize payouts for public ambulance services. Lottery officials stated that staff resources would be necessary to process the offsets, and the proposal would also require IT programming costs and ongoing accounting resources.

ASSUMPTIONS (continued)

Lottery officials provided an estimate of \$100,000 for programming to the Lottery check writing system to accommodate the new offset category, an unknown revenue reduction to the Lottery Enterprise Fund, and an unknown cost for administering the offset process.

Oversight assumes the IT programming cost and staff time for an additional payment offset could be absorbed by the Lottery with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented, resources could be requested through the budget process. Oversight assumes that any reduction in player activity would be minimal.

In response to a similar proposal, HCS for HB 1210, officials from the **Department of Revenue (DOR)** assume this proposal would provide DOR with the authority to offset an income tax refund in specific situations and would provide the order of priority in which offsets would be paid. DOR and ITSD-DOR would need to make programming changes to various processing systems.

DOR officials assume that Personal Tax would require two additional FTE Revenue Processing Technician I (Range 10, Step L) to process correspondence and do apportionments, and one additional FTE Accountant I (Range 18, Step M) to administer the money. DOR does not include an Accountant II in its pricing structure, this range and step only approximates the actual range and step.

DOR officials also assume that Collections and Tax Assistance would require one additional FTE Tax Collection Technician I (Range 10, Step L) per 15,000 additional contacts annually on the delinquent tax line, one additional FTE Tax Collection Technician I (Range 10, Step L) per 24,000 additional contacts annually on the non-delinquent tax line, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually in the Tax Assistance Offices.

The DOR estimate of cost to implement this proposal including six additional FTE and the related employee benefits, equipment, and expense totaled \$250,760 for FY 2013, \$255,815 for FY 2014, and \$258,496 for FY 2015.

Oversight assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2013 could be reduced by roughly \$5,000 per employee.

ASSUMPTIONS (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of expense and equipment cost in accordance with OA budget guidelines. Finally, Oversight assumes that a limited number of additional employees could be accommodated in existing office space. If unanticipated costs are incurred as a result of the implementation of this proposal or if multiple proposals are implemented which increase DOR costs or workload, resources could be requested through the budget process.

DOR officials also provided us with an estimate of the IT cost to implement the proposal of \$120,204 based on 4,536 hours to make programming changes to several tax processing systems.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Oversight assumes that the proposed DOR collection assistance fee would generate additional revenue but cannot determine whether the revenue generated would offset the expected DOR costs to operate the notification, appeal, hearing, and other costs required to implement this proposal. Oversight will use the DOR estimate of cost to their organization, as adjusted, and will indicate an unknown amount for collection assistance fee revenue.

Officials from the **Taney County Ambulance District** assume this proposal would have a positive impact on their organization but did not provide an estimate of the amount of additional revenues which might be collected.

Oversight did not receive any other responses from Missouri ambulance or fire protection districts. Although Oversight is not able to estimate the number or amount of unpaid ambulance service accounts which might be collected, Oversight assumes there would be a significant number and significant amounts involved. Oversight also notes that a significant number of ambulance service providers are local government agencies. For fiscal note purposes, Oversight will indicate unknown additional revenue to local governments for this proposal.

ASSUMPTIONS (continued)

Sections 302.291, 320.202, 321.130, 321.460, 321.711

In response to a similar proposal, HCS for HB 1458, officials from the **Office of Administration - Budget and Planning (BAP)** state the Division of Fire Safety is currently allowed to charge a fee for certification testing or recertification, with the fees to be deposited to General Revenue. Although no fees are currently being charged by the division, this proposal would direct those fees to the Fire Education Fund instead of the General Revenue Fund. There would be no impact to total state revenue. BAP defers to the Division of Fire Safety on the impact to the Fire Education Fund.

In response to a similar proposal, HCS for HB 1458, officials from the **Department of Public Safety - Division of Fire Safety (DPS - DFS)** state they currently administer the Training and Certification program mentioned in 320.202 (5). This legislation would direct fees collected from certification testing and recertification to the Fire Education fund established in 320.094. Currently, the Division of Fire Safety does NOT charge for this service.

DPS states they have administered a voluntary training and certification program since the mid-1980's. Legislation in recent years allowed the Division to promulgate rules to allow for a fee structure to be implemented for certification testing and recertification; however, the Division had not yet began that process. Section 320.202 would direct the fees collected from certification testing and recertification to be deposited into the Fire Education Fund (0821) as established in 320.094. Fees collected via the Division of Fire Safety's Fireworks Licensing program are also deposited into this fund, which is used primarily to provide no cost training to Missouri's fire service through contract with various fire training vendors in our state.

Based on the number of certification tests and re-certifications the Division currently processes annually, the Division estimates this proposal would generate approximately \$129,640 annually for the Fire Education Fund. According to statute, the Division of Fire Safety is allowed up to 2% of the fund for administrative purposes. It is estimated 2% of the fees from this proposal to be \$2,592. The remaining funds of \$127,047 would be contracted to provide approximately 88 additional training classes for an estimated 2,650 fire fighters of our state.

The Division of Fire Safety currently processes approximately 5,600 tests and certifications annually, as well as an estimated 900 re-certifications. The Division would propose a fee of \$25 per certification exam and re-tests, and \$15 per re-certification. Additionally, the Division would propose a fee of \$25 per certification reciprocity and \$100 per certification equivalency application. Using current figures, the Division would generate \$144,045; however, because this is a voluntary system, and the majority of the Division's certified personnel are volunteer fire

ASSUMPTIONS (continued)

fighters who may not apply for certification due to this fee structure, the Division does anticipate a slight decline in certifications and re-certifications issued. For purposes of this fiscal note, the Division projected a 10% decline in applicants, resulting in a total of roughly \$129,640 in fees collected.

Comparatively, the states surrounding Missouri currently charge the following:

- Iowa: \$50 per certification exam, \$25 per re-certification;
- Nebraska: \$50 per certification exam, \$25 to re-test, \$25 for equivalency, \$15 for reciprocity;
- Kansas: Certification fees range from \$30-\$80 for in-state residents; double fees for out-state;
- Arkansas: Certification fees included in costs of tuition;
- Oklahoma: \$15 per certificate;
- Kentucky: \$15 per certification exam.

In response to a similar proposal, HCS for HB 1458, officials from the **Office of State Public Defender (SPD)** cannot assume that existing staff will provide effective representation for any new cases arising where indigent persons are charged with the proposed new crime of inappropriately installing anemometer - a new class C misdemeanor.

While the number of new cases (or cases with increased penalties) may be too few or uncertain to request additional funding for this specific bill, the SPD will continue to request sufficient appropriations to provide effective representation in all cases.

Oversight assumes the SPD can absorb the additional caseload that may result from this proposal.

In response to a similar proposal, HCS for HB 1458, officials from the **Office of Prosecution Services** assume the proposal will have no measurable fiscal impact on their office. The creation of a new crime creates additional responsibilities for county prosecutors which may in turn result in additional costs which are difficult to determine.

In response to a similar proposal, HCS for HB 1458, officials from the **Battlefield Fire Protection District** stated progressive departments and volunteer departments will be penalized for certifying their people. There would be additional cost for them to certify firefighters. Since fees for the certification testing and recertification testing are currently not being collected by the Division of Fire Safety, **Oversight** will not reflect a loss to the General Revenue Fund.

ASSUMPTIONS (continued)

Oversight will utilize DPS - DFS' revenue estimate. Oversight will assume the fees collected by DFS resulting from this proposal will represent a correlating cost to the local political subdivisions. Oversight assumes the training is voluntary to fire departments and fire districts.

Officials from the Office of the Governor, Office of the State Auditor, numerous counties and cities did not respond to Oversight's request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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GENERAL REVENUE FUND

<u>Cost</u> - Department of Corrections Conviction and incarceration of unclassified felony	\$0 or (Minimal)	\$0 or (Minimal)	\$0 or (Minimal)
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<u>Revenue</u> - Department of Revenue Collection assistance fees (§143.789 - 143.790)	Unknown	Unknown	Unknown
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<u>Costs</u> - Department of Revenue			
Salaries (6 FTE)	(\$116,400)	(\$139,680)	(\$141,077)
Benefits	(\$61,110)	(\$73,332)	(\$74,065)
Expense and equipment	(\$42,657)	(\$4,793)	(\$4,889)
Total	<u>(\$220,167)</u>	<u>(\$217,805)</u>	<u>(\$220,031)</u>
(§143.789 - 143.790)			

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$220,167) to Unknown</u>	<u>(\$220,167) to Unknown</u>	<u>(\$220,167) to Unknown</u>
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Estimated net FTE	6	6	6
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FIRE EDUCATION FUND

<u>Income</u> - voluntary training certification testing fee and recertification fee	<u>\$108,033</u>	<u>\$129,640</u>	<u>\$129,640</u>
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ESTIMATED NET EFFECT TO THE FIRE EDUCATION FUND	<u>\$108,033</u>	<u>\$129,640</u>	<u>\$129,640</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> - to Fire Departments, Fire Protection Districts, etc. for voluntary training and certification program	(\$108,033)	(\$129,640)	(\$129,640)
<u>Additional revenues</u> - collection of unpaid ambulance service bills	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

Small businesses that have an anemometer tower over fifty feet in height must mark, paint or flag the tower to be recognizable during daylight hours.

FISCAL DESCRIPTION

This proposal makes multiple changes to provisions relating to political subdivisions.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Administrative Hearing Commission
Department of Natural Resources
Office of Administration
Office of the State Treasurer
Department of Economic Development
 Division of Business and Community Services
 Public Service Commission
 Office of the Public Counsel
 Missouri Development Finance Board

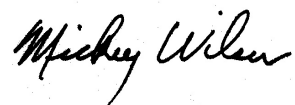
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SOURCES OF INFORMATION (continued)

Attorney General's Office
Department of Transportation
Department of Elementary and Secondary Education
State Tax Commission
Department of Mental Health
Department of Labor and Industrial Relations
Department of Insurance, Financial Institutions and Professional Registration
Office of the State Courts Administrator
Department of Corrections
Missouri Department of Conservation
Office of Administration - Budget and Planning
Department of Public Safety
 Division of Fire Safety
Office of the State Public Defender
Office of Prosecution Services
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Missouri Lottery
Battlefield Fire Protection District
Jefferson City Police Department
Parkway School District
City of Kansas City
County of St. Louis
Taney County Ambulance District
Office of the Secretary of State

NOT RESPONDING

Office of the Governor
Office of the State Auditor
Numerous Counties
Numerous Cities

A handwritten signature in black ink, appearing to read "Mickey Wilson". The signature is written in a cursive, flowing style.

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Mickey Wilson, CPA
Director
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